FISCAL YEAR ENDED: 12 / 31 / 13

ANNUAL REPORT CHECKLIST

PROVIDER(S): Atherton Baptist Homes

CCRC(S): Atherton Baptist Homes

RECEIVED
MAY 05 2014
CONTINUING CARE CONTRACTS BRANCH

CONTACT PERSON: Jackie Pascual, CFO

TELEPHONE NO.: (626) 863-1738 EMAIL: jpascual@abh.org

● ●

A complete annual report must consist of *3 copies* of all of the following:

☑ Annual Report Checklist.

☑ Annual Provider Fee in the amount of: $ 13,407

- ☐ If applicable, late fee in the amount of: $___________

☑ Certification by the provider's ***Chief Executive Officer*** that:
- ☑ The reports are correct to the best of his/her knowledge.
- ☑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ☑ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.

☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

☑ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.

☐ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

RECEIVED
MAY 05 2014
CONTINUING CARE
CONTRACTS BRANCH

214 S. Atlantic Blvd. Alhambra, California 91801 ATHERTON TEL 626-289-4178 FAX 626-576-0857 www.abh.org

April 30, 2014

Continuing Care Contracts Branch
California Department of Social Services
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Gentlemen:

I, Dennis E. McFadden, certify that the annual audit, reports and any amendments thereto submitted for December 31, 2013 for Atherton Baptist Homes are true and correct to the best of my knowledge.

Each continuing care contract form in use or offered to new residents by Atherton Baptist Homes has been approved by the Department of Social Services.

Atherton Baptist Homes is maintaining the required liquid reserve.

Atherton Baptist Homes does not offer refundable contracts.

Sincerely,

Dennis E. McFadden
President/CEO

ATHERBAP

ACORD™ EVIDENCE OF PROPERTY INSURANCE

RECEIVED MAY 05 2014 CONTINUING CARE CONTRACTS BRANCH

DATE (MM/DD/YYYY): 07/08/2013

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY — PHONE (A/C, No, Ext): 818-251-3132

USI Southern California PHD
Lic # 0351162
21600 Oxnard Street, 8th Floor
Woodland Hills, CA 91367

FAX (A/C, No): 610-362-8207 — E-MAIL ADDRESS: Jon A. Castellano

CODE: — SUB CODE:

AGENCY CUSTOMER ID #: 699732

COMPANY

Philadelphia Indemnity Insurance Co.
One Bala Plaza, Suite 100
Bala Cynwyd, PA 19004-1403

INSURED

Atherton Baptist Elder Ministries
214 South Atlantic Blvd
Alhambra, CA 91801

LOAN NUMBER:

POLICY NUMBER: PHSD802066

EFFECTIVE DATE	EXPIRATION DATE	CONTINUED UNTIL TERMINATED IF CHECKED
11/24/12	11/24/13	☐

THIS REPLACES PRIOR EVIDENCE DATED:

PROPERTY INFORMATION

LOCATION/DESCRIPTION

Location #1 214 South Atlantic Blvd.
Alhambra, CA 91801

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION

COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Employee Fidelity Loss Sustained	$1,000,000	$1,000

REMARKS (Including Special Conditions)

Employee Theft and Client Coverage
Limit of Liability $1,000,000
Ded $1,000
Coverage - Loss Sustained

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS

Atherton Baptist Elder Ministries
214 South Atlantic Blvd.
Alhambra, CA 91801-3257

☐ MORTGAGEE ☐ ADDITIONAL INSURED
☐ LOSS PAYEE ☒ Certificate Hol

LOAN #

AUTHORIZED REPRESENTATIVE

Marcy Richards

Report of Independent Auditors and Financial Statements

Atherton Baptist Homes

December 31, 2013 and 2012

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants
Acumen. Agility. Answers.

CONTENTS

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CONTINUING CARE
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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Atherton Baptist Homes

Report on Financial Statements

We have audited the accompanying financial statements of Atherton Baptist Homes, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of operations, changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atherton Baptist Homes as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS-ADAMS LLP

Emphasis of Matter

As discussed in Note 2 to the financial statements, for the year ended December 31, 2013, and for all periods presented, the Company adopted new accounting guidance that reflects changes to the presentation of deferred revenue from entrance fees and related amortization in accordance with Accounting Standards Update No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities - Refundable Advance Fees.* Our opinion is not modified with respect to this matter.

Moss Adams LLP

Los Angeles, California
April 25, 2014

ATHERTON BAPTIST HOMES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
Current Assets		
Cash and cash equivalents	$ 6,568,414	$ 941,007
Investments - general fund	1,945,766	1,769,960
Accounts receivable, less allowance for doubtful accounts of $150,000 in 2013 and $235,000 in 2012	768,042	1,006,179
Assets limited as to use, required for current liabilities	1,639,797	1,386,519
Prepaid expenses and other current assets	714,519	795,383
Insurance recoveries receivable	1,041,744	1,190,669
Total current assets	12,678,282	7,089,717
Noncurrent Assets		
Assets limited as to use	8,049,010	8,545,208
Property and equipment, net	41,363,332	42,537,529
Deferred costs, net	3,051,924	3,329,588
Other investments	217,700	198,031
Other assets	728,057	277,500
Total noncurrent assets	53,410,023	54,887,856
Total Assets	$ 66,088,305	$ 61,977,573

LIABILITIES AND NET ASSETS (DEFICIT)

	2013	2012
Current Liabilities		
Accounts payable	$ 651,021	$ 386,336
Accrued liabilities	1,847,782	1,932,829
Line of credit	173,596	472,664
Deposits on entrance fees	305,664	609,894
Current portion of long-term debt	6,361,481	1,500,000
Workers' compensation liability	1,041,744	1,190,669
Total current liabilities	10,381,288	6,092,392
Noncurrent Liabilities		
Long-term debt, net of current portion	29,020,278	33,820,000
Deferred revenue from entrance fees	9,931,055	7,642,376
Repayable entrance fees liability	14,141,602	9,802,146
Pension liability	2,317,887	2,350,743
Gift annuities payable	976,951	1,261,407
Liabilities under charitable remainder trusts and pooled income funds	97,440	93,968
Total noncurrent liabilities	56,485,213	54,970,640
Total Liabilities	66,866,501	61,063,032
Net Assets (Deficit)		
Unrestricted	(928,134)	665,435
Temporarily restricted	149,938	249,106
Total net assets (deficit)	(778,196)	914,541
Total Liabilities and Net Assets (Deficit)	$ 66,088,305	$ 61,977,573

See accompanying notes.

ATHERTON BAPTIST HOMES
STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Change in Unrestricted Net Deficit		
Operating loss	$ (2,611,152)	$ (3,968,947)
Unrealized gains (losses) on investments, net	682,731	(231,405)
Net assets released from restrictions used for purchase of property and equipment	144,350	124,287
Change in minimum pension liability	190,502	(764,349)
Change in unrestricted net deficit	(1,593,569)	(4,840,414)
Temporarily Restricted Net Assets		
Investment income	18,405	23,009
Unrealized gains (losses) on investments	16,324	(19,189)
Change in value associated with obligations under charitable remainder trusts and pooled income funds	20,453	111,473
Net assets released from restrictions used for operations	(10,000)	-
Net assets released from restrictions used for purchase of property and equipment	(144,350)	(124,287)
Change in temporarily restricted net assets	(99,168)	(8,994)
Change in Net Deficit	(1,692,737)	(4,849,408)
Net Assets, Beginning of Year (as adjusted)	914,541	5,763,949
Net (Deficit) Assets, End of Year	$ (778,196)	$ 914,541

See accompanying notes.

	2013	2012
Reconciliation of Decrease in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	$ (1,692,737)	$ (4,849,408)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,737,939	2,864,218
Amortization of deferred costs	289,496	292,843
Change in minimum pension liability	(190,502)	764,349
Provision for doubtful accounts	110,151	50,319
(Gain) loss on disposal of property and equipment	(62,114)	15,786
Amortization of entrance fees	(1,750,237)	(1,629,286)
Unrealized (gains) losses on investments, net	(699,055)	250,594
Realized gains on investments, net	(93,165)	(475,047)
Changes in operating assets and liabilities:		
Accounts receivable	105,928	(503,857)
Contribution (pledge) receivable	40,000	10,000
Prepaid expenses and other	49,228	(68,356)
Entrance fee receivable	-	350,207
Costs of acquiring initial care contracts	(11,832)	(52,649)
Accounts payable	264,685	(120,409)
Accrued expenses	(85,047)	487,346
Deposits on entrance fees	(304,230)	197,907
Deferred revenue from entrance fees	4,060,974	1,804,161
Pension liability	157,646	102,923
Net cash provided by (used in) operating activities	$ 2,927,128	$ (508,359)
Supplemental Cash Flow Information:		
Noncash investing and financing activities:		
Equipment financed through capital lease obligations	$ 62,693	$ -

Note 2 - Summary of Significant Accounting Policies

Basis of accounting - Atherton accounts for its financial transactions using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of presentation - Atherton's financial statement presentation follows the recommendations prescribed in FASB ASC 958, *Financial Statements of Not-for-Profit Entities*. Under ASC 958, Atherton is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents - Atherton considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for doubtful accounts, and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Workers' compensation - In accordance with ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, Atherton discloses in the statements of financial position the estimated liability outstanding for workers' compensation claims as well as the related insurance recoveries. The estimated liability and insurance recoveries for workers' compensation claims amounted to approximately $1,042,000 and $1,191,000 for the years ended December 31, 2013 and 2012, respectively.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value is established based on quoted prices from recognized securities exchanges. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless the income (loss) is restricted by donor or law.

Other-than-temporary impairments of investments - Atherton determines whether a decline in the fair value of investments below the cost basis is other-than temporary based on objective evidence as well as subjective factors including knowledge of recent events and assumptions regarding future events. If the decline in fair value is judged to be other-than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in operating loss.

Note 2 - Summary of Significant Accounting Policies (continued)

Net assets - Atherton's net assets comprise the following:

Unrestricted net assets - Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are available for support of the ordinary operations and administration of Atherton.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use by Atherton has been limited by donors to a specific time or purpose. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. When a donor restriction expires, that is, when a stipulated time restriction and/or purpose restriction is met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions where restrictions are met within the same year as received, are reflected as unrestricted contributions in the statements of operations.

Permanently restricted net assets - Permanently restricted net assets are those whose use by Atherton has been restricted by the donor in perpetuity. As of December 31, 2013 and 2012, Atherton did not have any permanently restricted net assets.

Deferred giving programs - Atherton has various arrangements with donors under the following terms:

Gift annuities: As consideration for certain irrevocable gifts made to Atherton for benevolent purposes, Atherton enters into agreements to make fixed annual payments to the donors or their beneficiaries for life. A liability is established for the present value of future payments, discounted at 6.5%, under the terms of the outstanding annuity contracts, with the difference recorded as unrestricted gifts. Gift annuity assets in excess of the liabilities are available to Atherton for corporate use without approval of the California Department of Insurance. However, the Board of Trustees (the "Board") has limited the use of the excess assets until the gift matures (the death of the beneficiary).

Charitable remainder trusts: Atherton is the beneficiary of several revocable charitable remainder trust agreements. Revocable trusts may be revoked by the respective trustors at any time and, therefore, the obligations are carried at an amount equal to the fair value of the assets. Income earned on assets held under revocable trusts is recognized as adjustments to the assets and obligations. Contributions are recognized as temporarily restricted support when the agreements become irrevocable. Upon the death of the trustor, the remaining assets are transferred to unrestricted net assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Atherton is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Atherton believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Entrance and monthly maintenance fees - Generally, in return for care to be provided by Atherton, residents pay an initial (most often a lump sum) entrance fee and an ongoing monthly maintenance fee. These initial entrance fees will vary in amount and type depending on where the resident resides.

Courtyard Contracts: Residents that live in Atherton's courtyard community ("Courtyard") pay an entrance fee that is either 90%, 70%, or 50% repayable to residents. The repayable entrance fees are recorded as a repayable entrance fee liability in the statements of financial position. At December 31, 2013 and 2012, repayable entrance fee liability totaled approximately $14,142,000 and $9,802,000, respectively.

Atherton also offers a re-occupancy benefit contract for Courtyard residents whereby residents pay an entrance fee ranging from $298,000 for a one-bedroom unit to between $357,000 and $395,000 for a two-bedroom unit and an ongoing monthly maintenance fee. There is an additional entrance fee of $25,000 for occupancy of a second person. The entrance fee is refundable if the resident should leave Atherton as follows:

1. During the first ninety days, the entrance fee paid by the resident is refunded in full.
2. If the resident's tenancy terminates subsequent to the first ninety days, Atherton offers the following re-occupancy benefit refunds to the resident (or their estate) once the unit has been re-occupied:
    a. Re-occupancy benefit equal to 50% of the paid entrance fees.
    b. Re-occupancy benefit equal to 70% of the paid entrance fees.
    c. Re-occupancy benefit equal to 90% of the paid entrance fees.

Classic Contracts: Residents that live in Atherton's independent living units excluding the Courtyard ("Classic") pay a one-time entrance fee that is 100% non-refundable.

The 10%, 50% or 100% non-refundable portion of entrance fees paid by Courtyard and Classic contracted residents are recorded as deferred revenue from entrance fees in the statements of financial position and are amortized over the estimated life of the resident. Under the re-occupancy benefit contract agreements, Atherton amortizes the non-repayable portion of the paid entrance fee over the resident's expected life. The net deferred revenue from entrance fees for residents under the Classic contracts amounted to approximately $9,931,000 and $7,642,000 at December 31, 2013 and 2012 respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

Subsequent events - Subsequent events are events or transactions that occur after the statements of financial position date but before financial statements are issued. Atherton recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. Atherton's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statements of financial position date and before the financial statements are issued.

Note 3 - Investments

Investments are classified in the accompanying statements of financial position as follows:

	2013	2012
Investments - general fund	$ 1,945,766	$ 1,769,960
Assets held by bond indenture trustee, required for current liabilities	1,639,797	1,386,519
Assets limited by Board as to use	4,386,539	3,930,813
Assets held by bond indenture trustee, net of current portion	3,662,471	4,614,395
Other investments (held under charitable remainder trusts and pooled income funds)	217,700	198,031
	$ 11,852,273	$ 11,899,718

Assets recognized under gift annuities are included in assets limited by Board as to use and total approximately $1,497,000 and $1,279,000 at December 31, 2013 and 2012, respectively.

Note 3 - Investments (continued)

The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other than temporary impairment under management's policy. Atherton's policy of evaluating securities for impairment that considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of those losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended December 31, 2013 and 2012, no securities were determined to be other-than-temporarily impaired.

Note 4 - Fair Value Measurements

In accordance with ASC 820, Atherton classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Note 4 - Fair Value Measurements (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Note 5 - Assets Held in Trust for Residents

Residents can deposit personal-use funds into trust accounts maintained by Atherton. These funds are maintained strictly for use by the residents for their personal expenses, including monthly charges for personal and nursing care at agreed-upon rates. If a resident leaves Atherton, the balance remaining in the fund is returned. Assets held in trust for residents, included in prepaid expenses and other current assets, amounted to approximately $120,000 and $151,000 as of December 31, 2013 and 2012, respectively. As these funds do not represent assets of Atherton, a corresponding trust account liability is included in accrued liabilities.

Note 6 - Assets Limited as to Use

Assets limited as to use are comprised of the following at December 31:

	2013	2012
Assets limited by Board as to use	$ 4,386,539	$ 3,930,813
Assets held by bond indenture trustee	3,662,471	4,614,395
	$ 8,049,010	$ 8,545,208

Assets limited by Board as to use consisted of board-designated funds, including unrestricted gifts received by Atherton. Although such funds are not legally restricted as to use, it is the Board's current intention that these assets would remain intact and that only the interest earned on these assets would be available to subsidize operations. Atherton's Board has designated these assets for this purpose, however such designation can be changed at any time.

Note 8 - Deferred Costs, Net

Deferred costs, net of accumulated amortization, are comprised of the following at December 31:

	2013	2012
Deferred financing costs	$ 1,435,365	$ 1,435,365
Less: accumulated amortization	339,186	253,699
Deferred financing costs, net	1,096,179	1,181,666
Costs of acquiring initial continuing care contracts	2,443,110	2,431,278
Less: accumulated amortization	487,365	283,356
Costs of acquiring initial continuing care contracts, net	1,955,745	2,147,922
Deferred costs, net	$ 3,051,924	$ 3,329,588

Amortization expense for the years ended December 31, 2013 and 2012 amount to approximately $289,000 and $293,000, respectively and is included in interest expense in the statements of operations.

Note 9 - Accrued Workers' Compensation Claims

On November 20, 2013 Atherton entered into a new workers' compensation guaranteed cost policy insurance program. Under the current policy, Atherton is covered up to a $1,000,000 per claim with no deductible.

Prior to November 20, 2013, Atherton participated in a self-insured workers compensation program with two other retirement communities. Under this program, Atherton purchased workers' compensation policies from a commercial insurance carrier, and subsequently reinsured back a portion of their claims costs through a captive insurance company. The arrangement with the other retirement communities allowed for the sharing of the captive expenses, but not the cost of workers' compensation claims unless default occurred with the other retirement communities. Under the program, in the event that the commercial insurance company is called to satisfy any outstanding obligation of the retirement communities, the insurer has the right of indemnification from each retirement community on a joint and several basis. Atherton assumed the cost of its workers' compensation claims up to $350,000 of each claim, plus allocated loss adjustment expense.

Note 11 - Long-Term Debt (continued)

Long-term debt at December 31 consists of the following:

	2013	2012
Series 2010A bonds with semi-annual principal payments due through 2030 and 2040, at a stated interest rate of 7.5% and 7.625% per annum, respectively. Interest is payable semi-annually on January 1 and July 1.	$ 29,300,000	$ 29,300,000
Series 2010B bonds with semi-annual principal payments due through 2017, at a stated interest rate of 6.625% per annum. Interest is payable semi-annually on January 1 and July 1.	6,020,000	6,020,000
Capital lease, secured by equipment, with monthly principal payments due through 2018, at a stated interest rate of 4.50% per annum. Interest is payable monthly on the 10th of each month.	61,759	-
	35,381,759	35,320,000
Less: current maturities	6,361,481	1,500,000
	$ 29,020,278	$ 33,820,000

As part of the indenture, Atherton granted to the Trustee the following:

1. First lien on the land and buildings owned by Atherton.
2. Security interest in substantially all assets and gross revenue of Atherton.
3. Assignment of Atherton's right in resident agreements.

Atherton is also required to comply with various restrictive and financial covenants as specified in the indenture. The financial covenants include cumulative cash used in operations, debt service coverage ratio, liquidity ratio, marketing targets, and occupancy requirements. Atherton was only required to comply with the marketing targets and occupancy requirements as of December 31, 2013 and 2012. The other covenants will be required to be complied with upon occupancy and stabilization of the Courtyard. Atherton was in compliance with the marketing targets as of December 31, 2013; however, Atherton was not in compliance with the non-Courtyard occupancy requirements by 6 units. As a result, Atherton hired a marketing agent and prepared a marketing report as required under the indenture agreement to remedy non-compliance with this covenant. Since these actions were taken, the covenant violation does not constitute an event of default under the terms of the loan agreement.

Note 12 - Pension Plans (continued)

The following tables summarize the obligations and funded status of Atherton's pension plan:

	2013	2012
Benefit obligation at December 31	$ 3,404,871	$ 3,488,070
Benefit payments	$ 277,317	$ 124,535
Fair value of plan assets at December 31	$ 1,086,984	$ 1,137,327
Net unfunded status of plan	$ 2,317,887	$ 2,350,743

Amounts recognized in the statements of financial position consist of:

	2013	2012
Pension liability	$ 2,317,887	$ 2,350,743

Amounts recognized in the statements of changes in unrestricted net assets:

	2013	2012
Actuarial losses	$ 1,163,534	$ 1,354,036

The projected benefit obligation, accumulated obligation, and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were as follows:

	2013	2012
Project benefit obligation	$ 3,404,871	$ 3,488,070
Accumulated benefit obligation	$ 3,404,871	$ 3,488,070
Fair value of plan assets	$ 1,086,984	$ 1,137,327

The net periodic benefit cost recognized in the statements of changes in net assets is as follows:

	2013	2012
Net periodic pension cost	$ 157,646	$ 102,923

Atherton has recognized, in the accompanying statements of financial position, the minimum liability of the unfunded accumulated benefit obligation as unfunded pension liability with an offsetting adjustment to unrestricted net assets. For the year ended December 31, 2013, the minimum pension liability was reduced by approximately $33,000, bringing the total unfunded pension liability to approximately $2,318,000 at December 31, 2013. For the year ended December 31, 2012, the minimum pension liability was increased by approximately $867,000, bringing the total unfunded pension liability to approximately $2,351,000 at December 31, 2012.

The actuarial loss that will be amortized from unrestricted net assets (deficit) into net periodic pension cost over the next fiscal year is approximately $81,000.

Note 12 - Pension Plans (continued)

The fair values of Atherton's plan assets at December 31 (the measurement date), by asset category, are as follows:

	Assets at Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash	$ 12,970	$ -	$ -	$ 12,970
Equity securities	805,620	-	-	805,620
Fixed income securities	302,675	-	-	302,675
Total plan assets	1,121,265	-	-	1,121,265
Net of prepayment and payable	(34,281)	-	-	(34,281)
Net plan assets	$ 1,086,984	$ -	$ -	$ 1,086,984

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash	$ 90,397	$ -	$ -	$ 90,397
Equity securities	1,001,062	-	-	1,001,062
Fixed income securities	50,420	-	-	50,420
Total plan assets	1,141,879	-	-	1,141,879
Net of prepayment and payable	(4,552)	-	-	(4,552)
Net plan assets	$ 1,137,327	$ -	$ -	$ 1,137,327

Contributions - Since January 2006, Atherton has been setting aside an annual amount of $180,000 of general fund assets to fund the pension plan; however, Atherton did not make a contribution to its pension plan during 2013. The balance of the general fund assets totaled approximately $1,800,000 and $1,649,000 as of December 31, 2013 and 2012, respectively.

Measurement Date - The measurement date used to determine pension benefit measures for the plan is December 31.

As of December 31, 2013, expected future benefit payments were as follows:

Years ending December 31,	
2014	$ 157,641
2015	160,655
2016	164,941
2017	168,915
2018	184,855
Thereafter	1,040,033
	$ 1,877,040

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Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules for

Atherton Baptist Homes

As of and for the year ended
December 31, 2013

CONTENTS

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors of
Atherton Baptist Homes
Alhambra, California

Financial Statements

We have audited the accompanying financial statements of Atherton Baptist Homes, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOSS-ADAMS LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of Atherton Baptist Homes as of and for the year ended December 31, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Atherton Baptist Homes on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Supplementary Form 5-5, Reconciliation to Audit Report, presented as a supplementary schedule, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Atherton Baptist Homes and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Los Angeles, California
April 28, 2014

ATHERTON BAPTIST HOMES

FORM 5-1

LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR

DECEMBER 31, 2013

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	01/28/10	$0	$2,636,766	$0	$2,636,766
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$0	$2,636,766	$0	$2,636,766

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Atherton Baptist Homes

ATHERTON BAPTIST HOMES

FORM 5-3

CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

DECEMBER 31, 2013

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$2,636,766
2	Total from Form 5-2 bottom of Column (e)	$11,208
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$2,647,974

PROVIDER: Atherton Baptist Homes

ATHERTON BAPTIST HOMES
FORM 5-5
ANNUAL RESERVE CERTIFICATION
DECEMBER 31, 2013

Provider Name: Atherton Baptist Elder Ministries
Fiscal Year Ended: 12/31/2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

		Amount
[1]	Debt Service Reserve Amount	$2,647,974
[2]	Operating Expense Reserve Amount	$2,689,195
[3]	**Total Liquid Reserve Amount:**	$5,337,169

Qualifying assets sufficient to fulfill the above requirements are held as follows:

			Amount		
	Qualifying Asset Description		**Debt Service Reserve**		**Operating Reserve**
[4]	Cash and Cash Equivalents				$6,842,179
[5]	Investment Securities				$2,185,152
[6]	Equity Securities				$3,873,388
[7]	Unused/Available Lines of Credit				
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve		$4,909,089		(not applicable)
[10]	Other: (describe qualifying asset)				
	Total Amount of Qualifying Assets		$4,909,089	[12]	$12,900,719
	Reserve Obligation Amount:	[13]	$2,647,974	[14]	$2,689,195
	Surplus/(Deficiency):	[15]	$2,261,115	[16]	$10,211,524

Signature:

(Authorized Representative)

Date: April 28, 2014

Chief Financial Officer
(Title)

SUPPLEMENTARY SCHEDULE

ATHERTON BAPTIST HOMES
SUPPLEMENTARY FORM 5-5
RECONCILIATION TO AUDIT REPORT
DECEMBER 31, 2013

Total cash and investments per audited statement of financial position:		
Cash and cash equivalents	$	6,568,414
Investments - general fund		1,945,766
Assets limited as to use, required for current liabilities		1,639,797
Assets limited as to use, noncurrent		8,049,010
Total cash and investments		18,202,987
Reservations and Designations:		
Assets held by bond indenture trustee:		
Entrance fee account		-
Project fund account		393,179
Total reservations and designations		393,179
Net cash and investments available for operating reserve and debt service reserve	$	17,809,808
Qualifying Assets per Form 5-5		
Operating Reserve	$	12,900,719
Debt Service Reserve		4,909,089
Total Qualifying Assets	$	17,809,808

See accompanying report of independent auditors.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	285
[2]	Number at end of fiscal year	303
[3]	Total Lines 1 and 2	588
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	294
	All Residents	
[6]	Number at beginning of fiscal year	344
[7]	Number at end of fiscal year	355
[8]	Total Lines 6 and 7	699
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	349.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.84

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$21,312,772
[a]	Depreciation	$2,737,939	
[b]	Debt Service (Interest Only)	$2,636,766	
[2]	Subtotal (add Line 1a and 1b)		$5,374,705
[3]	Subtract Line 2 from Line 1 and enter result.		$15,938,067
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		84%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$13,407,129
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$13,407

PROVIDEI Atherton Baptist Homes
COMMUN Atherton Baptist Homes

FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	01/28/10	$0	$2,636,766		$2,636,766
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$2,636,766	$0	$2,636,766

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Atherton Baptist Homes

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	12/10/13	$235	$934	12	$11,208
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$235	$934	12	$11,208

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Atherton Baptist Homes

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$2,636,766
2	Total from Form 5-2 bottom of Column (e)	$11,208
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$2,647,974

PROVIDER: Atherton Baptist Homes

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$21,312,772
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$2,637.001	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$2,737,939	
	d.	Amortization	$289,496	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$2,560,920	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$8,225,356
4		Net Operating Expenses		$13,087,416
5		Divide Line 4 by 365 and enter the result.		$35,856
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,689,195

PROVIDER: Atherton Baptist Homes
COMMUNITY: Atherton Baptist Homes

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Atherton Baptist Homes
Fiscal Year Ended: 12/31/2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

		Amount
[1]	Debt Service Reserve Amount	$2,647,974
[2]	Operating Expense Reserve Amount	$2,689,195
[3]	**Total Liquid Reserve Amount:**	$5,337,169

Qualifying assets sufficient to fulfill the above requirements are held as follows:

		Amount (market value at end of quarter)		
	Qualifying Asset Description	**Debt Service Reserve**		**Operating Reserve**
[4]	Cash and Cash Equivalents			$6,842,179
[5]	Investment Securities			$2,185,152
[6]	Equity Securities			$3,873,388
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve	$4,909,089		(not applicable)
[10]	Other: (describe qualifying asset)			
[11]	**Total Amount of Qualifying Assets Listed for Reserve Obligation:**	$4,909,089	[12]	$12,900,719
[13]	**Reserve Obligation Amount:**	$2,647,974	[14]	$2,689,195
[15]	**Surplus/(Deficiency):**	$2,261,115	[16]	$10,211,524

Signature:

(Authorized Representative)

Date: 4/28/2014

Chief Financial Officer
(Title)

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$ 484 to $ 4,738	$ 2,820 to $ 4,882	$ 228/day to $ 272/day
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.0%	3.0%	3.0%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: January 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Atherton Baptist Homes
COMMUNITY: Atherton Baptist Homes

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Attachment to Item [5]:

Rate increases on monthly fees for the following levels of care were approved by the Board of Trustees based on projected operating costs of the continuing care retirement community, projected per capita costs, and economic indicators:

	Rate Increase	Range of Monthly Fees
Residential living	3.0%	\$ 484 to \$4,738 *
Assisted living	3.0%	\$2,820 to \$4,882
Skilled nursing care	3.0%	\$228/day to \$272/day **

* Range of monthly fees effective January 1, 2013 based on square footage of units.
** Plus \$20 per day for non-contracted residents in skilled nursing care.

Continuing Care Retirement Community
Disclosure Statement
General Information

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CONTRACTS BRANCH

Date Prepared: 04/23/14

FACILITY NAME: Atherton Baptist Homes
ADDRESS: 214 S. Atlantic Blvd., Alhambra, CA ZIP CODE: 91801 PHONE: (626) 863-1738
PROVIDER NAME: Atherton Baptist Homes FACILITY OPERATOR: N/A
RELATED FACILITIES: N/A RELIGIOUS AFFILIATION: ABC-PSW and Transformation Ministries
YEAR OPENED: 19 # OF ACRES: 15 ☐ SINGLE STORY ☐ MULTI-STORY ☑ OTHER: Both MILES TO SHOPPING CTR: 1/2 MILES TO HOSPITAL: 1/2

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	4	ASSISTED LIVING:	38
APARTMENTS – 1 BDRM:	74	SKILLED NURSING:	99
APARTMENTS – 2 BDRM:	121	SPECIAL CARE:	N/A
COTTAGES/HOUSES:	21	DESCRIBE SPECIAL CARE:	N/A
RLU OCCUPANCY (%) AT YEAR END:	82.30		

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☐ YES ☑ NO BY: ____

FORM OF CONTRACT: (Check all that apply) ☑ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☐ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☑ 90% ☐ 75% ☑ 50% ☑ PRORATED TO 0% ☑ OTHER: 70%

RANGE OF ENTRANCE FEES: $ 112,000 TO $ 420,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☐ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE TO THE BOARD (briefly describe their involvement): 5 resident-chosen advisors have voice (no vote) in all meetings, including finance committee and board retreat. They are encouraged to participate and fully advocate for resident issues

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	✓	✓	HOUSEKEEPING (4 TIMES/MONTH)	✓	✓
BILLIARD ROOM	✓		MEALS (3 /DAY)	✓	✓
BOWLING GREEN			SPECIAL DIETS AVAILABLE	✓	✓
CARD ROOMS	✓				
CHAPEL	✓		24-HOUR EMERGENCY RESPONSE	✓	
COFFEE SHOP	✓		ACTIVITIES PROGRAM	✓	
CRAFT ROOMS	✓		ALL UTILITIES EXCEPT PHONE	✓	✓
EXERCISE ROOM	✓		APARTMENT MAINTENANCE	✓	✓
GOLF COURSE ACCESS			CABLE TV	✓	✓
LIBRARY	✓		LINENS FURNISHED	✓	✓
PUTTING GREEN			LINENS LAUNDERED	✓	✓
SHUFFLEBOARD			MEDICATION MANAGEMENT	✓	✓
SPA	✓		NURSING/WELLNESS CLINIC	✓	✓
SWIMMING POOL-INDOOR	✓		PERSONAL HOME CARE	✓	✓
SWIMMING POOL-OUTDOOR			TRANSPORTATION-PERSONAL	✓	✓
TENNIS COURT			TRANSPORTATION-PREARRANGED	✓	✓
WORKSHOP	✓		OTHER ____		
OTHER Gift Shop	✓				

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Atherton Baptist Homes

CCRCs	LOCATION (City, State)	PHONE (with area code)
Atherton Baptist Homes	Alhambra, CA	(626) 289-4178

MULTI-LEVEL RETIREMENT COMMUNITIES

N/A

FREE-STANDING SKILLED NURSING

N/A

SUBSIDIZED SENIOR HOUSING

N/A

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Atherton Baptist Homes

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	$11,957,184	$12,313,420	$14,883,249	$15,091,635
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	$11,934,145	$13,226,513	$14,284,011	$15,648,571
NET INCOME FROM OPERATIONS	$23,039	-$913,093	$599,238	-$556,936
LESS INTEREST EXPENSE	-$467,687	-$1,144,734	-$3,326,066	-$2,636,767
PLUS CONTRIBUTIONS	$513,725	$92,911	$169,968	$1,695,942
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	$134,712	$138,344	$115,689	$163,806
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$203,788	-$1,826,573	-$2,441,171	-$1,333,955
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$732,746	$10,412,948	$2,882,256	$7,927,987

DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
2010A Revenue Bonds	$10,685,000	7.50	01/28/10	01/01/30	20 years
2010A Revenue Bonds	$18,615,000	7.63	01/28/10	01/01/40	30 years
2010B Revenue Bonds	$6,020,000	6.63	01/28/10	01/01/17	3 years

FINANCIAL RATIOS
(see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO	41.2	51.9	54.6	43.9
OPERATING RATIO	98.8	114.6	116.1	107.9
DEBT SERVICE COVERAGE RATIO	10.55	1.18	1.29	3.50
DAYS CASH-ON-HAND RATIO	306	204	138	258

HISTORICAL MONTHLY SERVICE FEES
(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	$526	2.5	$539	3.0	$555	3.0	$572
ONE BEDROOM	$1,000	2.5	$2,430	3.0	$2,503	3.0	2,578.0
TWO BEDROOM	$1,384	2.5	$3,420	3.0	$3,523	3.0	$3,629
COTTAGE/HOUSE	$1,373	2.5	$1,407	3.0	$1,449	3.0	$1,492
ASSISTED LIVING	$3,103	2.5	$3,181	3.0	$3,276	3.0	$3,374
SKILLED NURSING	$230	2.5	$236	3.0	$243	3.0	$260
SPECIAL CARE							

COMMENTS FROM PROVIDER: Rate increases were approved by the Board of Trustees. Historical monthly service fees reflect rate increases charged to current residents. Beginning 2011, rates include monthly fees charged to residents occupying the new building, one-bedroom or two-bedroom apartment units. Skilled nursing historial daily rates reflect the average for private and semi-private rooms.

PROVIDER NAME: Atherton Baptist Homes

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash \& Investments} + \text{Unrestricted Non-Current Cash \& Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.